

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FRB-03

XMB-02 OPIC-03 LAB-04 SIL-01 /121 W

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P R 300700Z MAR 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 2646

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ENRG, EINV, CG, US

SUBJ: PETROLEUM COMPANY NEGOTIATIONS STATUS REPORT

REF: KINSHASA 2173

1. MARCH 29 MOBIL REP DUBRULE TOLD EMBOFF THAT NEGOTIATIONS BETWEEN PETROLEUM COMPANIES AND NEW PORTFOLIO MINISTER KIAKWAMA ARE NOT GOING WELL. FURTHERMORE, HE DESCRIBED THE NEW MINISTER AS CONCEITED, ARROGANT AND GENERALLY UNCOOPERATIVE.

2. DURING PREVIOUS NEGOTIATIONS WITH FORMER PORTFOLIO MINISTER MAMBU, AGREEMENT WAS REACHED AS TO KEY ISSUES OF (A) FIXED ASSETS WHICH WERE TO BE RETURNED TO FOREIGN COMPANIES;

B) METHOD AND AMOUNT OF COMPENSATION; AND (C) RESTORATION OR COMPENSATION FOR STOCKS AS OF TIME OF NATIONALIZATION.

3. AS OF NOW, DISCUSSIONS HAVE CONCERNED ONLY QUESTION OF STOCKS.

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PREVIOUS AGREEMENT WAS THAT COMPANIES WOULD BE COMPENSATED FOR AMOUNT OF STOCKS AS OF TIME OF NATIONALIZATION EXCEPT THAT PETROFINA, WHICH HAD UNUSUALLY LOW STOCKS AT TIME OF NATIONALIZATION, WOULD RECEIVE A BANK CREDIT OF 14 MILLION ZAIRES TO ENABLE IT TO BUILD UP SUFFICIENT WORKING STOCKS. FORMER PORTFOLIO MINISTER GAVE COMPANIES WRITTEN LETTERS AGREEING TO ABOVE PROCEDURE FOR SETTLING QUESTION OF STOCKS.

4. NEW PORTFOLIO MINISTER HAS UNILATERALLY IMPOSED A NEW FORMULA WHEREBY COMPENSATION FOR FORMER STOCKS WILL BE BASED UPON A COMPLICATED COMPUTATION OF NET WORTH OF COMPANIES AT TIME OF NATIONALIZATION. EFFECT OF NEW PROPOSAL UPON TEXACO WOULD BE TO REDUCE VALUE OF STOCKS THAT IT WOULD RECEIVE FROM APPROXIMATELY SEVEN MILLION ZAIRES TO 4.4 MILLION ZAIRES AND FOR FINA FROM 14 MILLION ZAIRES TO EIGHT OR NINE MILLION ZAIRES. STOCKS FOR SHELL WOULD ALSO BE REDUCED BUT MOBILE WOULD RECEIVE APPROXIMATELY THE SAME AMOUNT UNDER EITHER FORMULA.

5. DESPITE DIVERSE EFFECTS UPON COMPANIES OF PROPOSED NEW FORMULA FOR COMPENSATION FOR STOCKS, ALL COMPANIES ARE EXTREMELY CONCERNED AS THEY CONSIDER THE NEW METHOD A UNILATERAL ABROGATION BY THE GOZ OF A WRITTEN AGREEMENT. IN A MEETING MARCH 29 REPS OF MOBIL, TEXACO AND PETROFINA (SHELL REPS ARE NOT IN KINSHASA) DECIDED THAT QUESTION OF REPUDIATING PREVIOUS AGREEMENT IS SO SERIOUS THAT THEY MUST REFER MATTER TO THEIR HOME OFFICES TO DETERMINE IF THEY SHOULD CONTINUE TO NEGOTIATE OR NOT.

6. AS PREVIOUSLY REPORTED, MOBIL AND SHELL HAD REACHED A PRIVATE AGREEMENT WHEREBY MOBIL WILL LEASE AND OPERATE SHELL'S ASSETS IN ZAIRE. THE NEW PORTFOLIO MINISTER HAS STATED THAT SUCH AN AGREEMENT IS OUT OF THE QUESTION. HE SAID THAT IF THE AMERICAN OIL COMPANIES COULD NOT AGREE, BECAUSE OF U.S. ANTITRUST LAWS, TO ORIGINAL ZAIRIAN PROPOSAL THAT ALL FOUR FOREIGN COMPANIES BE INCLUDED IN ONE OVERALL COMPANY FOR ZAIRE, THEN TWO COMPANIES COULD NOT OPERATE TOGETHER IN FASHION LIMITED OFFICIAL USE

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PROPOSED BY MOBIL AND SHELL. DUBRULE HAS POINTED OUT THAT ORIGINAL GOZ PROPOSAL WAS FOR A MONOPOLY WHICH IS PROHIBITED BY U.S. ANTITRUST LAWS BUT THAT THE MOBIL/SHELL PROPOSAL IS NOT A MONOPOLY AND THUS WOULD NOT BE PROHIBITED.

7. EMBOFF ASKED DEBRULE IF HE WISHED EMBASSY TO MAKE REPRESENTATION ON BEHALF OF MOBIL CONCERNING ABOVE PROBLEMS. DEBRULE REPLIED THAT HE THOUGHT IT WOULD BE BEST FOR EMBASSY TO WAIT UNTIL COMPANIES HAD REACTIONS OF THEIR HOME OFFICES.

8. COMMENT: IN ADDITION TO PROBLEMS DESCRIBED ABOVE, WE ARE AWARE, FROM OUR DISCUSSIONS WITH MOBIL AND TEXACO OFFICIALS, THAT SERIOUS PROBLEMS CONCERNING COMPENSATION AND STRUCTURE OF SERVICE COMPANY ALSO REMAIN TO BE RESOLVED.
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